

FACTORS THAT INFLUENCE STUDENTS IN SURAKARTA IN CHOOSING ISLAMIC BANKS



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APPROVAL

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Abstract

The purpose of this research is to analyze the influence of sharia compliance, availability of ATMs and E-Banking, and profit sharing on customers' decision to open account at the bank. Sharia compliance does not have a significant and positive influence on consumers' decision in opening an account at the Islamic banks. The availability of ATM and E-banking and profit sharing have a significant and positive influence on consumers' decision in opening an account at the Islamic banks.

Keywords: Sharia Compliance, Availability of ATM and E-Banking, and Profit Sharing.

Abstrak

Penelitian ini memiliki tujuan yaitu menganalisis pengaruh variabel sharia compliance, ketersediaan ATM dan E-Banking, dan profit sharing terhadap keputusan konsumen dalam membuka akun di Bank Syariah. Variabel sharia compliance tidak memiliki pengaruh yang signifikan dan positif terhadap keputusan konsumen dalam membuka akun di Bank Syariah. Variable ketersediaan ATM dan E-Banking dan variabel profit sharing memiliki pengaruh yang signifikan dan positif terhadap keputusan konsumen dalam membuka akun di Bank Syariah.

Kata kunci: Sharia Compliance, Ketersediaan ATM dan E-Banking, dan Profit Sharing.

1. INTRODUCTION

As one of the world's major religions (Abou-Youssef, Kortam, Abou-Aish, & El-Bassiouny, 2015), Islam is growing rapidly, with about 1.57 billion adherents worldwide (El-Bassiouny, 2014). The Islamic banking (IB) industry is also growing at a similar pace (Al-Salem, 2008; Abou-Youssef, Kortam, Abou-Aish, & El-Bassiouny, 2015). There are approximately 420 Sharia financial institutions in 75 Muslim and non-Muslims countries across the world (Souiden & Rani, 2015). Indonesian Islamic banking is also expanding rapidly again after entering the 3rd decade. Up until April 2016, the number of Islamic banks in Indonesia

totaled 199 consisting of 12 Islamic Commercial Banks (BUS), 22 Islamic Business Unit (UUS), and 165 Islamic Rural Banks.

In the world of banking, Islamic banking is a relatively new service industry, where Islamic banks apply Islamic laws or regulations that exist in any banking activity and avoid restrictions that are in Islamic law, which is transaction of usury. Seeing competition in the world of business and services increasingly tight, so Islamic banks should really know the right strategy to win the competition. Therefore, to improve its operational performance, Islamic banking seeks to serve the needs of the community widely and thoroughly. Islamic banks must pay attention to their consumer behavior which reflects why customers make a purchase of services and how customers choose and purchase the products both savings or loans so as to increase the effectiveness of bank performance.

In general, the potential consumers will save money by choosing a bank that can provide profits and ease. Each customer will notice and consider the specific factors that contribute to decide in saving. Islamic banking is a Bank whose system is developed based on Islamic law or rules. In Islamic banking system based on the prohibitions in Islam, namely the prohibition of lending or saving money with interest or often called usury. Factors that affect consumers in choosing among Islamic banks, Islamic principles of suitability in Islamic banks or often referred sharia compliance.

In Indonesia, a country dominated by Muslims seem to indicate that the suitability of the application of the principles of the Islamic Sharia or Islamic Banks in compliance is a main factor affecting the choice of IBF consumer products (Ullah & Lee, 2012) define the importance of Sharia as a discrete factor in accordance with the choice decisions of banks in Pakistan, and the effects of moderate Sharia according to what was observed by (Saqib, Farooq, & Zafar, 2016). However, it seems quite clear that religion or functional form of global consumer attitudes towards Islamic banks belief (ass and Aftab, 2013). Especially in the countries with dominant Muslim populations (such as Indonesia), there are clear indications that bank compliance with Islamic principles or are in accordance with Sharia as a strong motivator that supports the adoption of

consumer products that are in accordance with Sharia. Various studies found that the customer behavior in choosing Islamic banking is one of the factors that is the suitability of sharia compliance (Anamitra, Jabeen, & Rajaguru, 2018) found that consumer expectations regarding the suitability of the Bank's operations with Islamic principles had an influence on consumer's decision in opening an account at Islamic banks. (Gampito & Afridawati, 2017) also stated that sharia compliance has a positive influence on consumers' decision in opening an account at Islamic banks.

In addition to the suitability of the application of the sharia principles or compliance with Islamic Banks, the availability of ATM and E-Banking is also one of the factors that influence consumers' decision in selecting and opening an account at the Islamic Banks. In Indonesia, it consists of 34 provinces, 98 cities, 415 districts, and in each district there are several villages. Not all people live in the city, there are some people who live in the village. Therefore, the availability of ATM greatly affects consumers' decision in selecting and opening an account at the Bank. A lot of banking in Indonesia less the availability of ATM in the village areas, especially Islamic banks. (Kaufman, 1967) states that a factor in selecting of banks, consumers pay attention to the distance between the location of the home or place of business and the bank. (Arora, Cavusgil, & Nevin, 1985) also argued that the selection of banking services determined by accessibility reliability, ease of transaction.

In the millennial era as it is today, many people love something practical and easy. The use of the internet can make it easier for someone to do something, such as the use of Internet Banking or E-Banking. Internet Banking or E-Banking is one of the many service products offered by banks in Indonesia. Currently, the use of Internet Banking is increasingly widespread because there are many benefits for consumers to conduct transactions such as transfers and payment transactions without them going to the ATM machines, they can make transactions easily just by using their mobile phones. Currently, internet banking is a concern in the world of banking as a product based on the internet (Chan & M, 2004) Besides providing many benefits, internet banking is also one of the

solutions to save operational costs (cost-effective) in its use compared to other channels because internet banking is able to reduce transaction costs to the lowest point IE can save 79% compared to other banking transaction costs (Sanusi, 2000). SMS banking or mobile banking is one of the services that have been offered to consumers by banks. Based on the OJK (Financial Services Authority) noted that the users number of Internet Banking or E-Banking increased by 270% from 13.6 million customers in 2012 to 50.4 million customers in 2016. This increase occurred due to the existence of community's need in utilizing the technology. Research from (Yani, Lestari, Amalia, & Puspita, 2018) defined that the perception of consumer usefulness towards the perception of the ease of using internet banking for consumers had a significant and positive influence.

Profit sharing is also one of the factors affecting consumers in opening an account at the bank. The principles of implementing Islamic financial institutions have resulted in the fundamental between Islamic banks and conventional banks, namely the prohibition of interest in Islamic banks (usury), as a bank interest system adopted by conventional banks, so that the operational activities of Islamic banks adhere to the system for the results. Understanding the profit sharing system is a system of agreements or mutual bonds in doing business. In this business, it is agreed that the profit sharing will be obtained between the two parties or more.

Profit sharing in Islamic banking system is a distinctive feature that is offered to the public and within the rules of the Islamic banking relating to sharing of business results must be specified in advance at the beginning of the contract. Determination of the magnitude of the portion for results between the two parties is determined according to agreement with, and must occur with the availability (An-Tarodhin) on each party without any element of coercion. Various studies found that the behavior of customers in choosing Islamic banking is one of the factors which is the suitability of profit sharing. According to (Maski, 2010), the profit-sharing system has a positive influence on consumer decisions in opening account and research from (Wahab, 2016) also state that profit sharing has a significant effect on consumers' decision to open account at Islamic banks.

Therefore, the researcher wants to investigate the influences of the sharia compliance, the availability of ATM and E-Banking, and profit sharing in opening bank account at Islamic banks.

2. METHOD

This study included in quantitative study. The type of this study is causal research, where the researcher will test a specific hypothesis and assess certain correlation. This study took place in Surakarta areas.

The population of this study was all students that using Islamic Bank services in Surakarta. The sample of this research were 255 respondents, and the sample consisting of 68 male (26.7%) and 187 female (73.3%). The sampling method that used in this research is probability sampling, where it is proportional stratified random sampling.

3. FINDINGS AND ANALYSIS

3.1 The Influence of Sharia Compliance on Consumer's Decision to Open Bank Account at Islamic Banks.

The sharia compliance variable is known from a significant value smaller than 0.05 ($0.060 > 0.050$). Therefore, H_0 is accepted and H_1 is rejected, which means that the sharia compliance variable does not have a positive and significant effect on consumer's decision in opening an account at Islamic banks.

Based on these results, sharia compliance variable does not have a positive and significant influence on consumer's decision in opening bank account at Islamic banks. This contradicts to the research of (Ullah & Lee, 2012) which found that consumers' views on the suitability of the principles of Islamic banks have a positive influence on consumer's decision in opening bank account at Islamic banks, and according to the research of (Anamitra, Jabeen, & Rajaguru, 2018), consumer expectations regarding the suitability of the bank's operations with sharia principles have an influence on consumer's decision in opening an account at Islamic bank. Gampito and Afridawati (2017) also state that sharia compliance has a positive influence on consumer's decision in opening bank

account at Islamic banks. Sharia compliance variable does not have an influence on consumer decisions in opening bank account at Islamic banks, because there are many people who do not know or understand about sharia compliance in Islamic banks. Based on data from the Otoritas Jasa Keuangan (OJK), we can see that people are more interested in opening accounts at conventional banks for now with evidence that the number of deposits in conventional banks always increases every year, in 2015 the number of deposits in conventional banks is 598,324 million and in 2019 in January the number of deposits in conventional banks was 853,038 million. While the number of deposits in Islamic banks also increases every year, but in December 2018 to January 2019 the number of deposits in Islamic banks has decreased, with the amount of deposits in December 2018 being 85,898 million and the number of deposits in January 2019 was 84.821 million.

3.2 The Influence of the Availability of ATM and E-Banking on Consumer's Decision to Open Bank Account at Islamic Banks.

The variable availability of ATM and E-Banking is known from a significant value smaller than 0.05 ($0.020 < 0.050$). Therefore, H_0 is rejected and H_1 is accepted, which means that the variable availability of ATM and E-Banking has a positive and significant influence on consumer's decision in opening bank account at Islamic banks.

Based on these results, the availability of ATM and E-Banking variables that are positive and significant indicate that Islamic banks have good and adequate ATMs, branch offices and E-Banking because the total availability of ATMs and branch offices in Islamic banks always increases. Based on data in the Financial Services Authority (OJK), we can see that the total availability of ATM and branch office in Islamic Bank in 2016 is 2,567 and in January 2019 there were 2,801 availability of ATM and branch office in Islamic Bank. This research is in accordance with research of (Kaufman, 1967), factors in the selection of banks, consumers pay attention to the distance of the location of the home or place of business with the bank. This research is in accordance with research of (Yani, Lestari, Amalia, & Puspita, 2018) which states that the consumer's perception of

the usefulness towards the perceived ease of use internet banking for consumers have a significant and positive influence. The results of this research are different from the research conducted by (Wahyudi, 2013) which states that the availability of ATM does not have a positive influence on consumer's decision in opening bank account at Islamic banks.

3.3 The Influence of Profit Sharing on Consumer's Decision to Open Bank Account at Islamic banks.

The variable profit sharing is known from a significant value greater than 0.05 ($0.000 < 0.050$). Therefore, H_0 is rejected and H_1 is accepted, which means that the profit sharing variable has a positive and significant influence on consumer decisions in opening bank account at Islamic banks.

Based on these results, the profit sharing variable has a positive and significant influence on consumer decisions in opening bank account at Islamic banks. This research is in accordance with the research of (Maski, 2010) who found that the profit sharing system has a positive influence on consumer decisions in opening accounts. (Wahab, 2016) also states that profit sharing has a significant effect on consumer's decision to open bank account at Islamic banks.

4. CONCLUSION

Based on the results of the data analysis, the author can conclude some conclusions as follows.

The Sharia Compliance variable does not have a positive and significant influence on consumer's decision to open bank account at Islamic banks. The variable availability of ATM and E-Banking has a positive and significant influence on consumer's decision to open bank account at Islamic banks. The Profit Sharing variable has a positive and significant influence on consumer's decision to open bank account at Islamic banks. The F-test analysis results obtained that H_0 was rejected, which means that the variables of sharia compliance, the availability of ATM and E-Banking, and profit sharing jointly affected the consumer's decision to open bank account at Islamic banks. The results of R^2 calculation is obtained in multiple regression analysis, this means that 22.9% of the consumer's decision variables can be explained by the variables

of sharia compliance, the availability of ATM and E-Banking, and profit sharing. While the remaining 77.1% is explained by other factors.

Research limitations, after all analysis done in this research This study is limited by three factors are sharia compliance, the availability of ATM and E-Banking, and profit sharing on consumer's decisions to open bank accounts in Islamic banks. If a variable is added, then the expected results of the research can be obtained better. This research is limited to the sample used are students (UMS, IAIN, UNS) in Surakarta who use or open bank account at Islamic banks.

Suggestion, based on the result of the study, there are some recommendations explained as follows for next researcher is Islamic bank companies should provide socialization or education about sharia compliance in Islamic banks to the public so that people are more aware of Islamic bank, and make people more interested in opening bank account at Islamic banks. For future research, it is better to add variables that are used not only sharia compliance, availability of ATM and E-Banking, and profit sharing in influencing consumer decisions in opening bank account at Islamic Banks and the samples not only focused on students (UMS, IAIN, UNS) in Surakarta, but all people in Surakarta or in Indonesia that use or open bank account at Islamic Banks.

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